

BOARD MEETING DATE: December 5, 2014

AGENDA NO. 26

REPORT: Annual Report on 457 Deferred Compensation Plan

SYNOPSIS: SCAQMD sponsors an IRS-approved 457 deferred compensation program for its employees. The Annual Report addresses the Board's responsibility for monitoring the activities of the Deferred Compensation Plan Committee and ensuring the Committee carries out its fiduciary duties and responsibilities under the Committee Charter.

COMMITTEE Administrative, November 14, 2014; Recommended for Approval

RECOMMENDED ACTION:
Receive and file.

Barry R. Wallerstein, D.Env.
Executive Officer

WJ:WR

Background

SCAQMD sponsors and administers a 457 deferred compensation program for its employees. The plan is currently administered by Massachusetts Mutual Life Insurance Company (MassMutual), a retirement services, asset management and insurance firm. State law governs the fiduciary requirement for the operation and investment of 457 plans sponsored by governmental entities. The SCAQMD Governing Board serves a fiduciary role subject to the duties and obligations under Article XVI, Section 17 of the California Constitution.

To meet its fiduciary responsibilities, the Board, at the time it established SCAQMD's 457 Plan, also established a Deferred Compensation Plan Committee to oversee the administration of the Plan. On May 2, 2008, the Board approved the Deferred Compensation Plan Committee Charter, formalizing the fiduciary duties and responsibilities of the Committee. In addition to the retirement plan administrator,

SCAQMD utilizes services of an independent, third-party consulting firm, currently Benefit Funding Services Group (BFSG), to provide services to the Plan as a fiduciary under a Registered Investment Advisor agreement.

Summary of Report

Attached is the 457 Deferred Compensation Plan Annual Report to the Board, for FY 2013-14. During this fiscal year period, the Committee reviewed the Plan funds and made several changes to consolidate funds that no longer met the Committee's investment policy criteria. In response to recent court cases surrounding fiduciary liability, the Committee reviewed and approved changes to the Investment Policy Statement as recommended by BFSG. The Committee also approved changes to the Plan Expense Reimbursement Account Policy to accurately detail the current arrangement with MassMutual as well as increase the reserve requirement from \$7,500 to \$15,000 to account for timing issues with reimbursement payments. Finally, the Committee amended the Plan Document to allow for rollovers from the OBRA Plan, allowing regular SCAQMD employees who were once part-time employees to consolidate their funds. The attached report provides information as of June 30, 2014, regarding the Plan Assets/Demographics and Plan Performance.

Attachment

457 Deferred Compensation Plan Annual Report for FY 2013-14

SEPTEMBER 4, 2014

ANNUAL REPORT TO THE BOARD

**REPORT PERIOD: JULY 2013 –
JUNE 2014**



South Coast Air Quality Management District
457 Deferred Compensation Plan

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SECTION I

EXECUTIVE SUMMARY

Executive Summary

South Coast Air Quality Management District ("SCAQMD") sponsors and administers an eligible deferred compensation program for its employees, as covered under section 457 of the Federal Internal Revenue Code. SCAQMD's Deferred Compensation Plan ("Plan") was adopted on January 1, 1987. Employees are immediately eligible upon hire to participate in the Plan.

SCAQMD's Deferred Compensation Plan Committee ("Committee"), officially chartered in May 2008, and whose members are appointed by SCAQMD's Governing Board, meets on a regular basis to review the Plan's design, investment options, asset allocation/demographics, and to make changes as necessary. Current membership includes the Chief Financial Officer, General Counsel, the Assistant Deputy Executive Officer of Administration and Human Resources, and a Human Resources Manager.

The Plan is administered by Massachusetts Mutual Life Insurance Company ("Mass Mutual"), a retirement services, asset management and insurance firm. MassMutual took over administration after purchasing the retirement plan business of Hartford Life Insurance Company ("Hartford"). MassMutual has informed the Committee of its intent to honor the terms of the agreement entered into with Hartford by the Committee effective November 17, 2011. MassMutual has been administering 457 Plans since 1979, has \$13 billion in 457 assets under management and an S&P credit rating of AA+.

In addition to the retirement plan administrator, SCAQMD utilizes the services of Benefit Funding Services Group ("BFSG"). BFSG is an independent, third-party consulting firm that provides services to the Plan as a fiduciary under a Registered Investment Advisor agreement. Their consulting services include investment analysis, review and recommendation of investment options offered in the Plan, fiduciary compliance assistance to Committee members and annual Plan cost benchmarking. BFSG has been providing services to the Plan since 2007.

The Plan was established to provide a retirement savings program for the employees of SCAQMD and is maintained for the exclusive purpose of benefiting the Plan participants and their beneficiaries. The Plan also is intended to operate in accordance with all applicable state and federal laws and regulations.

While Plan participants are ultimately responsible for their own investment decisions, the Committee endeavors to provide an appropriate range of investment options, allowing participants to invest in accordance with their own time horizons, risk tolerance, and retirement goals.

SECTION II

YEAR IN REVIEW

2013/2014 Year in Review

Items addressed and adopted by the Committee during the year are as follows:

Investment Menu

Date	Item	Update
October 18, 2013	Fund Consolidation	Fund consolidation approved by the Committee on June 26, 2013 took effect.
July 31, 2014 (Interim Meeting)	Exchange Traded Funds	The Committee revoked its decision to include Exchange Traded Funds in the self-directed brokerage account after learning that MassMutual could not screen availability in order to comply with California Fair Political Practices.

Plan Compliance/Design

Date	Item	Update
October 3, 2013	Investment Policy Statement	The Committee reviewed and approved changes to the Investment Policy Statement recommended by BFSG as a result of recent court cases surrounding fiduciary liability.
October 3, 2013	Plan Expense Reimbursement Account Policy	The Committee approved changes to the Plan Expense Reimbursement Account Policy to accurately detail the current arrangement with Mass Mutual as well as increase the Reserve Requirement from \$7,500 to \$15,000 to account for timing issues with reimbursement payments.
October 3, 2013	OBRA Rollovers	The Committee amended the Plan Document to allow for rollovers from the OBRA Plan.

SECTION III

PLAN ASSETS /
DEMOGRAPHICS

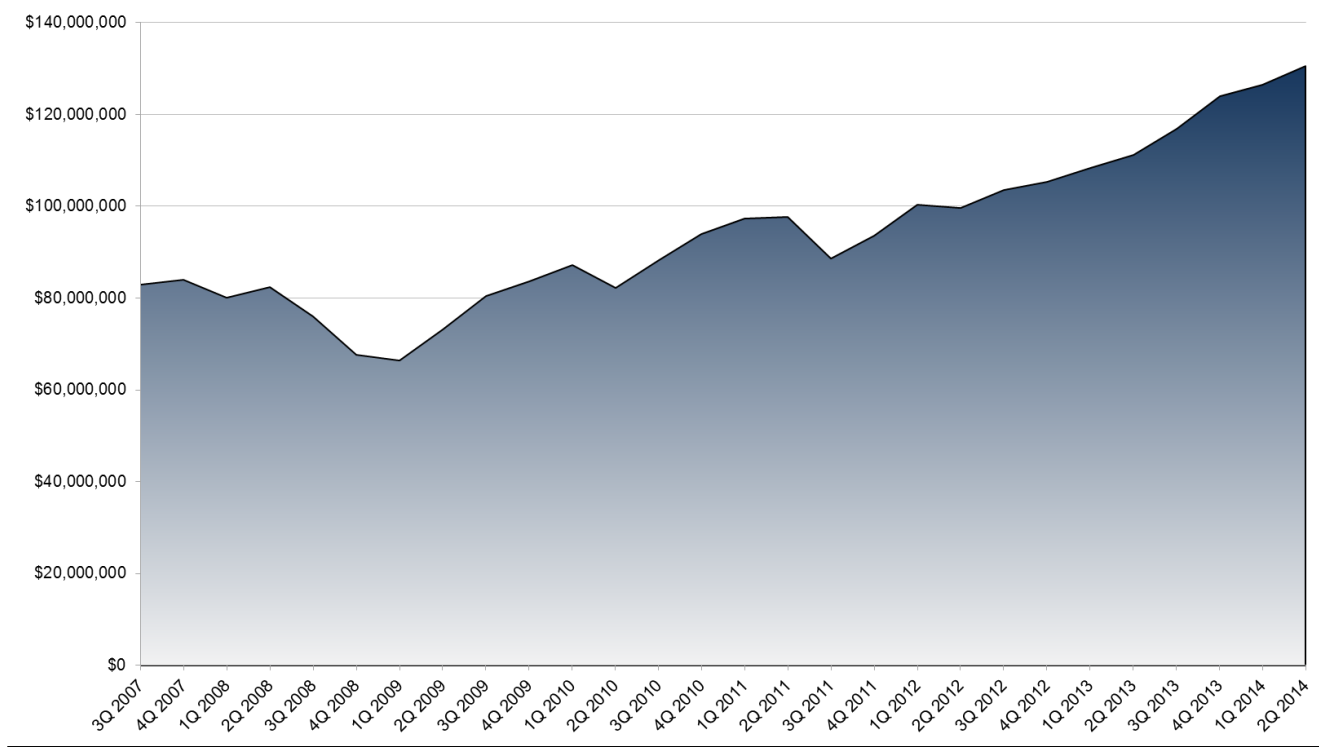
Plan Assets / Demographics as of June 30, 2014

Investment Option	# of Balances	% of Plan Assets	Plan Assets
Hartford General Account	581	42.67%	\$55,708,720
Hartford Capital Appreciation HLS	304	11.02%	\$14,393,290
T. Rowe Price Blue Chip Growth	317	9.43%	\$12,312,649
Hartford Dividend & Growth HLS	237	3.81%	\$4,970,758
Invesco Equity & Income A	166	3.70%	\$4,826,339
Hartford Mid Cap HLS	229	3.57%	\$4,666,390
Hartford Intl Opportunities HLS	279	3.42%	\$4,467,810
MFS Utilities A	127	3.25%	\$4,239,561
PIMCO Total Return	192	3.05%	\$3,980,357
Hartford Global Health HLS	89	2.86%	\$3,733,870
SSgA S&P 500 Index	130	2.80%	\$3,662,113
Hartford Small Company HLS	185	2.04%	\$2,657,594
AllianzGI NFJ Small Cap Value Admin	165	1.38%	\$1,805,164
SSgA US Interm Gov/Credit Bond Index	87	1.12%	\$1,465,493
SSgA Dow Jones Target 2045	52	1.03%	\$1,346,377
Artisan Mid Cap Value	140	0.99%	\$1,286,088
MFS Intl New Discovery	104	0.89%	\$1,159,558
SSgA Dow Jones Target 2035	29	0.72%	\$943,722
SSgA Mid Cap Index	67	0.54%	\$703,477
Invesco Real Estate	38	0.42%	\$545,916
SSgA Russell 2000 Index	58	0.38%	\$494,035
SSgA EAFE Index	31	0.37%	\$484,871
SSgA Dow Jones Target 2025	14	0.22%	\$283,409
Neuberger Berman Socially Responsive Tr	32	0.15%	\$199,546
SSgA Dow Jones Target Today	5	0.08%	\$102,558
SSgA Dow Jones Target 2015	5	0.07%	\$87,405
American Century Capital Preservation	3	0.02%	\$32,123
Total	804	100.00%	\$130,559,192

Note: Does not include Self-Directed Brokerage Account

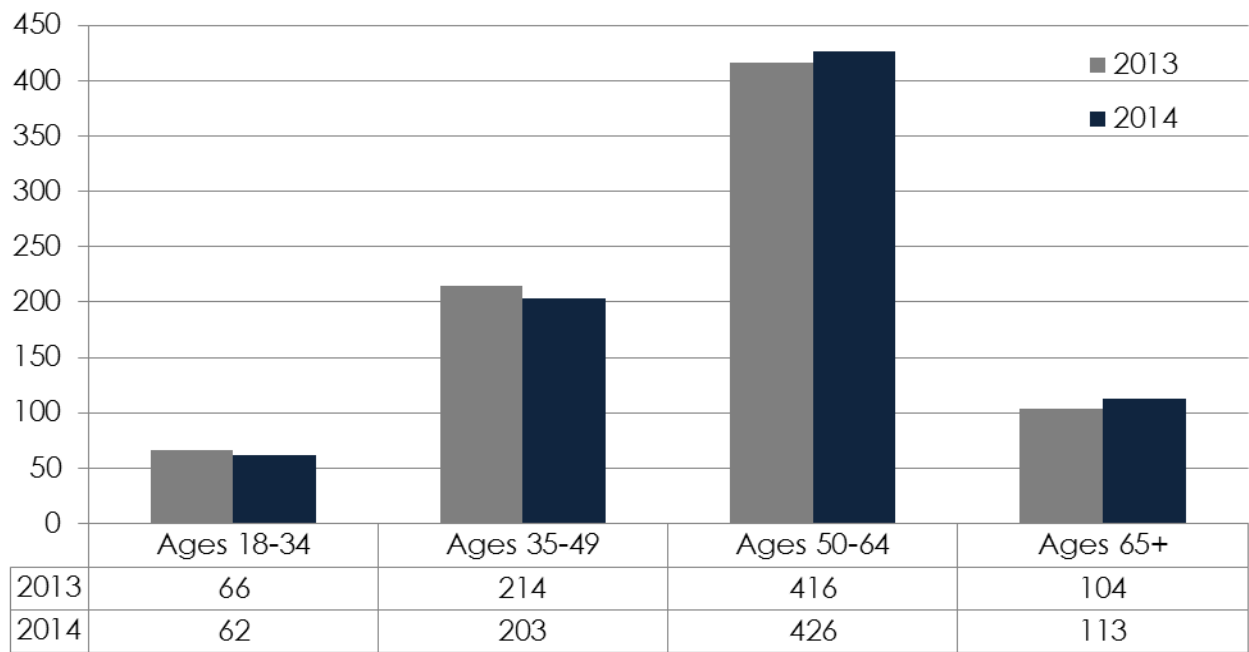
Plan Assets / Demographics

Growth of Plan Assets



Plan Participants by Age

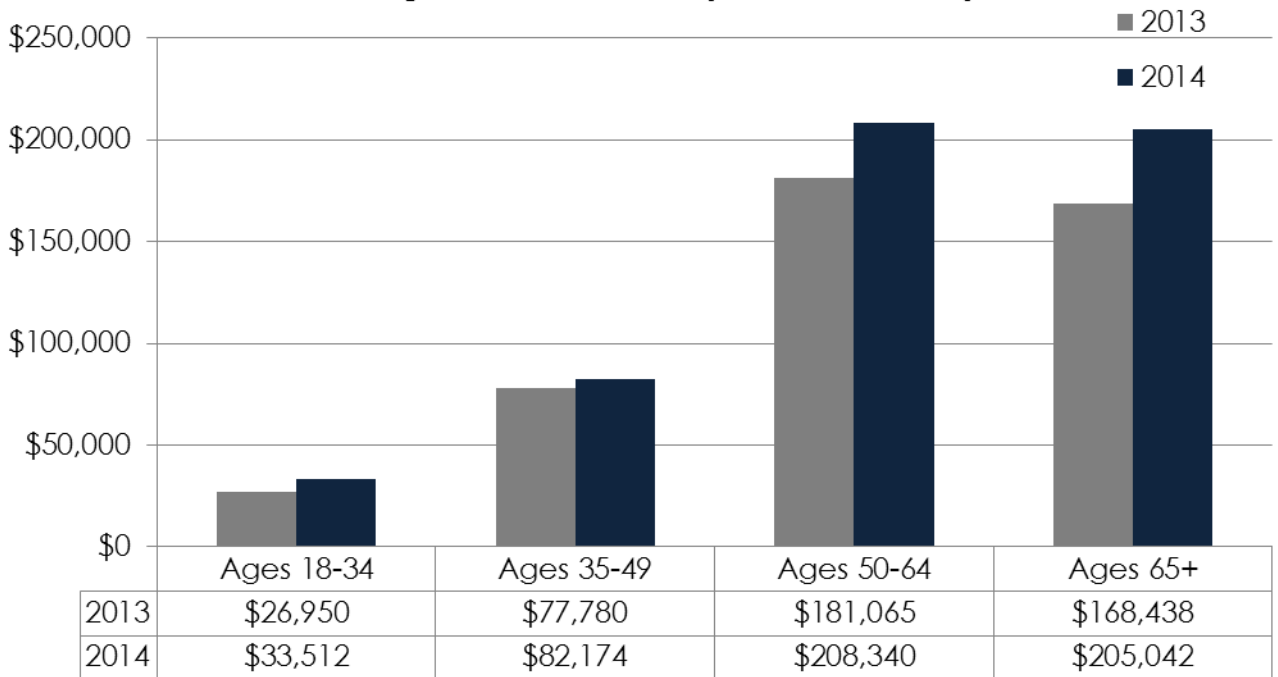
Participants (End of Fiscal Year)



Plan Assets / Demographics

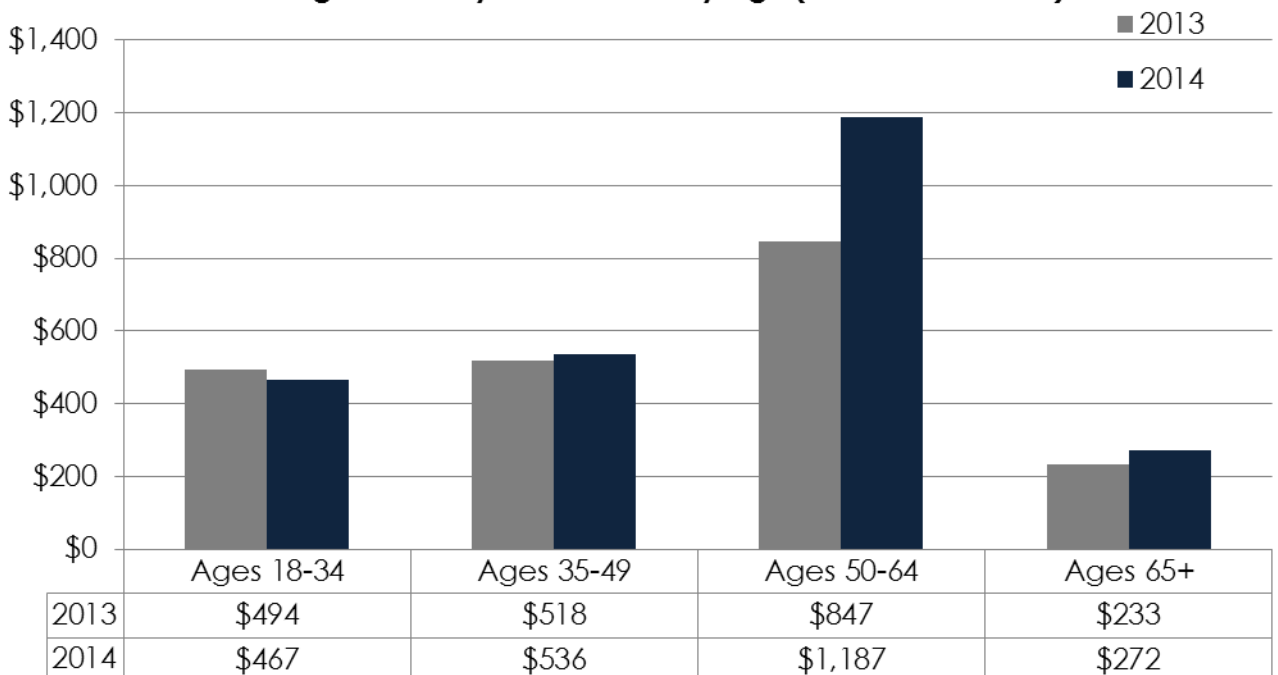
Average Account Balance by Age

Average Account Balance (End of Fiscal Year)



Average Contributions by Age

Average Quarterly Contribution by Age (End of Fiscal Year)



Plan Assets / Demographics

Annual Net Cash Flow –YTD 2014

QUARTER ENDING	2014				YTD
	March 31st	June 30th	September 30th	December 31st	Jan 1st - Dec 31st
Cash Flow					
Beginning Market Value	\$124,067,692	\$126,785,580			\$124,067,692
Employee Deferrals	\$1,596,665	\$1,803,120			\$3,399,786
Withdrawals	-\$469,858	-\$1,350,698			-\$1,820,556
Net Loan Activity	-\$44,098	-\$61,293			-\$105,391
Fees	-\$1,577	-\$1,746			-\$3,323
TOTAL DISBURSEMENTS	-\$515,533	-\$1,413,737			-\$1,929,270
NET CASH FLOW	\$1,081,132	\$389,384			\$1,470,516
Change in Value	\$1,636,756	\$3,755,863			\$5,392,619
Net Transfers	\$0	-\$48,354			-\$48,354
Ending Market Value	\$126,785,580	\$130,882,473			\$130,882,473

Annual Net Cash Flow - 2013

QUARTER ENDING	2013				FY 2013
	March 31st	June 30th	September 30th	December 31st	Jan 1st - Dec 31st
Cash Flow					
Beginning Market Value	\$105,331,242	\$108,282,482	\$111,247,446	\$116,846,408	\$105,331,242
Employee Deferrals	\$1,511,854	\$1,763,039	\$1,457,911	\$1,785,485	\$6,518,289
Withdrawals	-\$3,530,843	-\$409,590	-\$911,742	-\$489,724	-\$5,341,900
Net Loan Activity	-\$18,473	\$59,936	\$15,615	-\$17,361	\$39,716
Fees	-\$1,395	-\$1,263	-\$1,382	-\$1,609	-\$5,648
TOTAL DISBURSEMENTS	-\$3,550,711	-\$350,917	-\$897,509	-\$508,694	-\$5,307,831
NET CASH FLOW	-\$2,038,857	\$1,412,122	\$560,402	\$1,276,791	\$1,210,458
Change in Value	\$4,990,097	\$1,552,842	\$5,038,560	\$5,944,493	\$17,525,992
Ending Market Value	\$108,282,482	\$111,247,446	\$116,846,408	\$124,067,692	\$124,067,692

SECTION IV

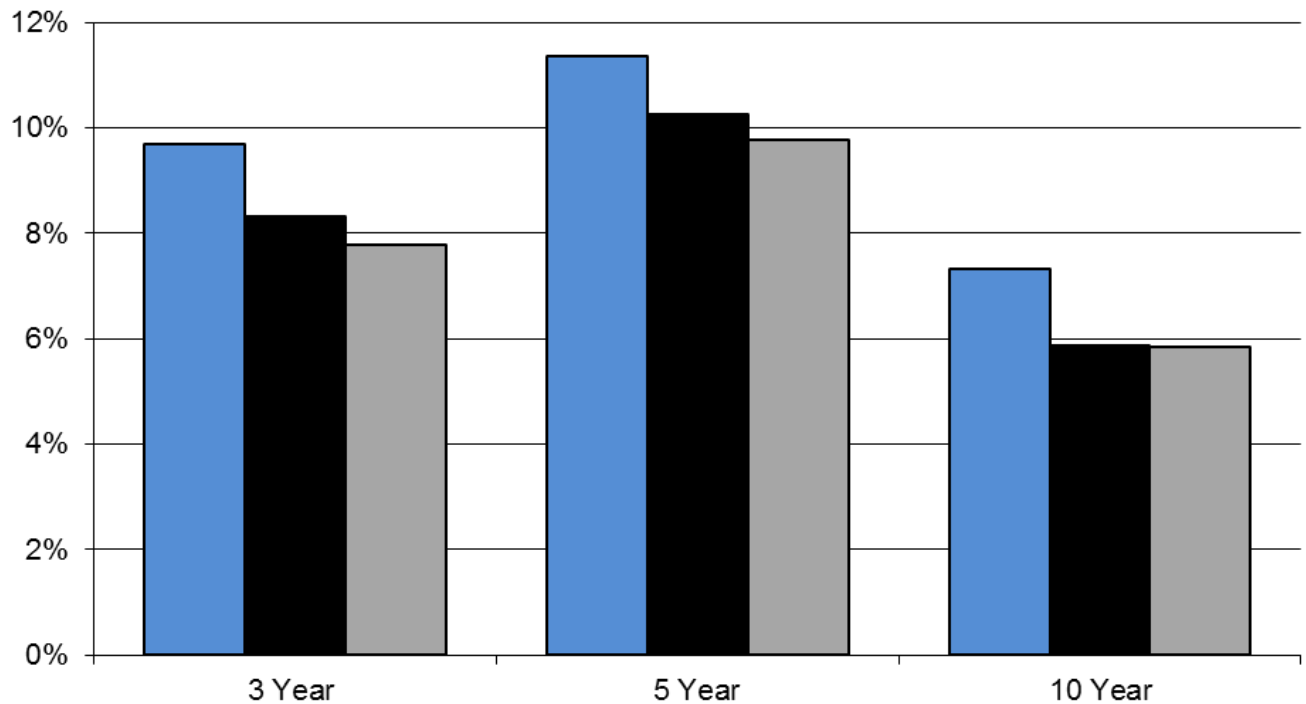
PLAN PERFORMANCE

Weighted Portfolio Return versus Custom Benchmark

Performance as of June 30, 2014	3 Month	1 Year	Annualized Returns			3 YR	3 YR	Expense
			3 Year	5 Year	10 Year	Std Dev	Sharpe	Ratio
SCAQMD 457 Plan	2.96%	14.69%	9.69%	11.35%	7.32%	6.72	1.41	0.73
Custom Benchmark - Index (Passive)	2.60%	12.90%	8.31%	10.26%	5.87%	N/A	N/A	N/A
Custom Benchmark - Category (Active)	2.29%	12.33%	7.77%	9.78%	5.85%	6.48	1.18	0.90

*Custom expense ratio represents the weighted expense (based upon current allocation) of Institutional and Retirement share classes in each asset category.

Annualized Returns

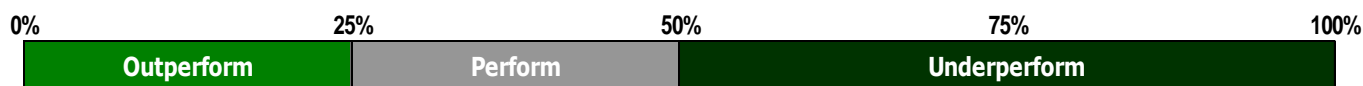


■ SCAQMD 457 Plan ■ Custom Benchmark - Index (Passive) ■ Custom Benchmark - Category (Active)

Individual Fund Ranking

(Per Investment Policy Statement Evaluation Criteria)

Investment Name	Quarterly Ranking			
	2Q14	1Q14	4Q13	3Q13
Intermediate Bond PIMCO Total Return Instl	15	15	10	2
Hybrid / Balanced Invesco Equity and Income A	22	14	14	18
Large Value Hartford Dividend & Growth HLS IA	5	6	8	9
Large Blend Hartford Capital Appreciation HLS IA	25	20	19	20
Large Growth Neuberger Berman Socially Rspns Tr T. Rowe Price Blue Chip Growth	53 2	52 3	47 1	46 3
Mid Cap Value Artisan Mid Cap Value Investor	35	22	10	10
Mid Cap Growth Hartford MidCap HLS IA	1	7	11	11
Small Cap Value AllianzGI NFJ Small Cap Value Admin	21	20	13	15
Small Cap Growth Hartford Small Company HLS IA	11	19	18	20
Foreign Large Equity Hartford International Opp HLS IA	5	6	5	6
Foreign Small / Mid Equity MFS International New Discovery A	34	43	32	34
Health Care Hartford Global Health HLS IA	12	9	8	20
Real Estate Invesco Real Estate R5	19	17	13	16
Utilities MFS Utilities A	27	22	17	15
Average Rank	19	18	15	21
Plan Weighted Rank (Reweighted)	14	13	11	16



SECTION V

APPENDIX

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

October 3, 2013

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Michael O’Kelly – Chief Financial Officer
Mr. Bill Richards – Human Resources Manager

Members Absent: Mr. Kurt Wiese – General Counsel

Committee Consultants: Mr. John Campbell – Benefit Funding Services Group (BFSG)
Mr. Darren Stewart – BFSG
Mr. Robert Trenerry - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on October 3, 2013 at 2:10 pm in Conference Room CC3. It was noted a quorum was present.

1. Approval of Prior Meeting Minutes

The minutes from the June 26, 2013 meeting were reviewed and unanimously approved by attending members of the Committee.

Investment Agenda

2. 457 Plan Quarterly Investment Review – 2nd Quarter 2013

The Committee received and filed the 457 Plan Quarterly Investment Review dated June 30, 2013 as prepared by BFSG. Mr. Campbell provided a brief economic and market overview outlining economic growth as measured by GDP, inflation, unemployment, interest rates and market sector returns during the second quarter 2012. The Committee reviewed the performance of each investment option in the Plan relative to its respective benchmark during the quarter and annualized over a 1, 3, 5 and 10 year basis. Mr. Campbell provided the following qualitative information on the funds requiring discussion:

PIMCO Real Return – Per the Committee’s decision at the last meeting, the fund is scheduled to be removed from the Plan on October 18, 2013 with assets and future contributions mapping to PIMCO Total Return.

American Century Government Bond - Per the Committee’s decision at the last meeting, the fund is scheduled to be removed from the Plan on October 18, 2013 with assets and future contributions mapping to SSgA Intermediate Bond Index.

PIMCO Total Return – The fund underperformed during the quarter due to an overweight in Emerging Markets Debt and TIPS. Manager Bill Gross believes that historically loose monetary policy by the Federal Reserve will lead to a lengthened period of inflation. Gross has a history of being early into investments and makes large tactical investments with the portfolio. Long-term performance remains very strong.

Putnam High Yield Advantage - Per the Committee’s decision at the last meeting, the fund is scheduled to be removed from the Plan on October 18, 2013 with assets and future contributions mapping to PIMCO Total Return.

Oakmark Equity & Income - Per the Committee’s decision at the last meeting, the fund is scheduled to be removed from the Plan on October 18, 2013 with assets and future contributions mapping to Invesco Equity and Income.

Allianz NFJ Small Cap Value – The fund has underperformed in the short-term due largely to its conservative nature. Management places a heavy emphasis on dividends and historically performs better than its peers during down markets while underperforming during market rallies. Risk-adjusted

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

performance remains strong as management's strategy provides significantly less volatility than its peers. Long-term performance remains very strong.

As weighted on June 30, 2013, the plan outperformed passive and active benchmarks across all measured time-periods. The Plan-weighted expense ratio is 67 bps which is below the custom category average of 82 bps.

3. Investment Policy Statement – Approval

Mr. Stewart distributed an Investment Policy Statement incorporating changes made by the Committee at the last meeting. The attending members of the Committee unanimously approved the adoption of the Investment Policy Statement.

4. Discuss / Update Plan Expense Reimbursement Account Policy

Mr. O'Kelly distributed copies of the current PERA Policy and proposed three amendments. The first amendment would change the definition of the PERA Budget to match the revised arrangement with MassMutual. The second amendment would increase the reserve requirement from \$7,500 to \$15,000 to account for timing issues in receiving reimbursement payments. The third amendment would allocate excess money to participants pro rata based on the variable account balance as opposed to the total account balance. Mr. Trenerry informed the Committee that he was unsure whether Hartford would be able to execute the third amendment but will look into it. The attending Committee members unanimously approved the first two amendments and will revisit the third at the next meeting.

5. Bank of America Payment

The attending Committee members voted unanimously to deposit the Fair Fund Distribution Payment of \$175.74 into the PERA.

Administrative Agenda

6. Annual Board Report

Mr. Stewart distributed copies of the Annual Board Report to the Committee for review. The Board Report is intended to assist SCAQMD's Governing Board in monitoring the actions of the Committee which was formerly chartered in 2008. The attending Committee members made no changes to the Annual Board Report.

7. Quarterly Plan Review

The Committee received and filed the Quarterly Plan Review prepared by MassMutual. Mr. Trenerry provided a review of Plan demographic data including contributions, withdrawals and loans. As of March 31, 2013, Plan Assets totaled more than \$111 million. Employee contributions continued to rise steadily and withdrawals declined significantly from the last quarter. The number of loans outstanding increased by two to 86.

8. Update on the Sale of the Hartford

Rebranding efforts have continued but no major changes have been made to administration of the Plan. MassMutual intends to honor its current contract. The attending Committee members agreed to remove the item from future agendas unless a significant issue occurs.

9. OBRA-DCP Specimen

The Plan currently allows rollovers from other retirement plans but does not allow rollovers from the OBRA Plan. One employee recently moved part-time to full-time and wishes to roll their OBRA money into the 457 Plan. The attending Committee members unanimously agreed to amend the Plan to allow for rollovers from the OBRA Plan.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
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10. Other Business

Mr. Trenerry will inquire as to whether ETFs can be permitted in the brokerage account without permitting stocks. The issue will be discussed at the next Committee meeting.

11. Public Comments

Mr. Johnson asked the attending members of the Public for comment but received no reply.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 4:05 pm.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

December 17, 2013

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Michael O’Kelly – Chief Financial Officer
Mr. Bill Richards – Human Resources Manager
Mr. Kurt Wiese – General Counsel

Committee Consultants: Mr. John Campbell – Benefit Funding Services Group (BFSG)
Mr. Darren Stewart – BFSG
Mr. Robert Trenerry - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on December 17, 2013 at 2:10 pm in Conference Room GA. It was noted a quorum was present.

1. Approval of Prior Meeting Minutes

The minutes from the October 3, 2013 meeting were reviewed and approved by the Committee with Mr. Wiese abstaining due to his absence at the prior meeting.

Investment Agenda

2. 457 Plan Quarterly Investment Review – 3rd Quarter 2013

The Committee received and filed the 457 Plan Quarterly Investment Review dated September 30, 2013 as prepared by BFSG. Mr. Campbell provided a brief economic and market overview outlining economic growth as measured by GDP, inflation, unemployment, interest rates and market sector returns during the 3rd quarter of 2013. The Committee reviewed the performance of each investment option in the Plan relative to its respective benchmark during the quarter and annualized over a 1, 3, 5 and 10 year basis. Mr. Stewart provided the following qualitative information on the funds requiring discussion:

Hartford Capital Appreciation: The fund has significantly outperformed in the short-term but slightly underperformed on a 3 year basis. The fund holds an overweight to foreign equities which have underperformed over the last few years but outperformed during the 3rd quarter as U.S. debt ceiling issues and the surprise extension of Quantitative Easing caused the U.S. Dollar to decline. Long-time manager Saul Pannell recently announced his plans to retire in the coming years. The fund’s subadvisor, Wellington Management, has begun succession planning. Long-term performance remains very strong.

Allianz NFJ Small Cap Value: The fund has underperformed since the recession in 2008. Management is extremely conservative and requires holdings to pay a dividend. Dividend-paying stocks have struggled recently as a rising interest rate environment has created a substitution effect. Despite underperforming, risk-adjusted performance remains very strong and long-term performance remain strong as well.

MFS International New Discovery: The fund has underperformed during the last year due largely to an overweight to emerging markets equity. Also contributing to underperformance is a conservative positioning derived from skepticism of the recent market rally. Long-term performance remains above average.

As weighted on September 30, 2013, the Plan outperformed passive and active benchmarks across all measured time-periods. The Plan-weighted expense ratio is 67 bps which is below the custom category average of 82 bps.

3. Self-Directed Brokerage Account

The Committee voted unanimously to allow participants to utilize Exchange-Traded Funds in the Self-Directed Brokerage Account provided Mr. Wiese confirms that utilization is permitted by the California Fair Political Practices Commission.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
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Administrative Agenda

4. Quarterly Plan Review

Mr. Trenerry reviewed Plan demographics as of September 30, 2013. Assets have continued to rise due to a combination of market appreciation and strong cash flows. Contributions totaled approximately \$1.5 million for the quarter and Plan assets increased to over \$116 million. The average account balance remains very high with 797 total participants with a balance. Approximately 25% of participants are utilizing a single investment option and more than 45% are invested in the Fixed Account.

5. Calendar Year 2014 Meeting Dates

The Committee unanimously approved the 2014 schedule for the Deferred Compensation Plan Committee. Meetings will be held at 2:00 on March 5th, June 25th, September 3rd, and December 3rd.

6. Other Business

Mr. Johnson informed the Committee that the Governing Board was considering reconstituting the Committee.

7. Public Comments

Rudy Eden, SCAQMD Lab Manager and participant in the Plan, inquired about the availability of in-plan Roth conversions. Although conversions may be permissible by law, many recordkeepers do not yet have the ability to administer them. Once MassMutual is able to administer the conversions, the Committee will address whether or not to add the provision to the Plan.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 3:55 pm.

**SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES**

March 12, 2014

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Michael O’Kelly – Chief Financial Officer
Mr. Bill Richards – Human Resources Manager

Members Absent: Mr. Kurt Wiese – General Counsel

Committee Consultants: Mr. John Campbell – Benefit Funding Services Group (BFSG)
Mr. Darren Stewart – BFSG
Mr. Robert Trenerry - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on March 12, 2014 at 2:40 pm in Conference Room CC-3. It was noted a quorum was present.

1. Approval of Prior Meeting Minutes

The minutes from the December 17, 2013 meeting were reviewed and unanimously approved by the Committee members in attendance.

Administrative Agenda

2. Quarterly Plan Review

Mr. Trenerry reviewed Plan demographics as of December 31, 2013. Net cash flow for the quarter was approximately \$1.3 million and assets increased to over \$124 million. The average account balance remains very high at approximately \$155,000 and 5 new participants took out loans during the quarter. As directed by the Committee, fund consolidation occurred during the quarter.

Investment Agenda

3. 457 Plan Quarterly Investment Review – 4th Quarter 2013

The Committee received and filed the 457 Plan Quarterly Investment Review dated December 31, 2013 as prepared by BFSG. Mr. Campbell provided a brief economic and market overview outlining economic growth as measured by GDP, inflation, unemployment, interest rates and market sector returns during the 4th quarter of 2013. The Committee reviewed the performance of each investment option in the Plan relative to its respective benchmark during the quarter and annualized over a 1, 3, 5 and 10 year basis. Mr. Stewart provided the following qualitative information on the funds requiring discussion:

PIMCO Total Return: In January, CEO and Co-CIO Mohamed El-Erian resigned from his position with the company. The change has created significant controversy and bad press for PIMCO, but is not expected to have a significant impact on the fund's performance. Bill Gross has managed the fund since its inception and performance has been strong over the long term. The fund has underperformed in the short term due to an overweight in emerging markets debt and TIPS.

Invesco Equity and Income: The fund was recently re-categorized by Morningstar as Aggressive Allocation due to exposure to convertible bonds. Volatility as measured by Standard Deviation is approximately 30% lower than the active benchmark, but performance remains comparable.

Allianz NFJ Small Cap Value: The fund has underperformed in the short-term due to an overweight in dividend-paying companies. Management invests conservatively and risk-adjusted performance is extremely strong across all measured periods. The fund tends to outperform in down markets and underperform in up markets.

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MFS International New Discovery: The fund has underperformed in the short term due largely to an overweight to emerging markets equity as well as a higher average market capitalization than its peers. Long-term performance remains above average and risk-adjusted performance is strong.

SSGA Dow Jones Target Date Funds: The funds have significantly underperformed their peer groups due to a large overweight in fixed income. The glide path used by management results in an 80% fixed income position at retirement, compared to a 40%-50% position for most of its peers. The Committee unanimously agreed to have BFSG bring an analysis of available alternatives to the next Committee meeting.

As weighted on December 31, 2013, the Plan outperformed passive and active benchmarks across all measured time-periods. The Plan-weighted expense ratio is 66 bps which is below the custom category average of 82 bps.

4. Distribution to Participants of Investment Analysis

Mr. Stewart informed the Committee that its license with Morningstar enables the distribution of only 25 copies of each generated report. In order to permit distribution to the participants of the quarterly investment analysis, an additional fee of between \$19,000 and \$21,000 would apply. The Committee unanimously agreed to table the discussion for the future.

5. Other Business

Mr. Johnson asked the members of the Committee if there were any other items of business but received no reply.

6. Public Comments

Mr. Johnson asked the attending members of the Public for comment but received no reply.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 3:45 pm.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

June 25, 2014

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Bill Richards – Human Resources Manager
Mr. Kurt Wiese – General Counsel

Members Absent: Mr. Michael O’Kelly – Chief Financial Officer

Committee Consultants: Mr. John Campbell – Benefit Funding Services Group (BFSG)
Mr. Darren Stewart – BFSG
Mr. Robert Trenerry - MassMutual

Call to Order: The regular meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on June 25, 2014 at 2:15 pm in Conference Room CC-3. It was noted a quorum was present.

1. Approval of Prior Meeting Minutes

The minutes from the March 12, 2014 meeting were reviewed by the Committee. Mr. Wiese was unable to vote for approval due to absence at the previous meeting. Due to lack of a quorum, the minutes will be included on the next agenda for approval.

Investment Agenda

2. 457 Plan Quarterly Investment Review – 1st Quarter 2014

The Committee received and filed the 457 Plan Quarterly Investment Review dated March 31, 2014 as prepared by BFSG. Mr. Campbell provided a brief economic and market overview outlining economic growth as measured by GDP, inflation, unemployment, interest rates and market sector returns during the 1st quarter of 2014. The Committee reviewed the performance of each investment option in the Plan relative to its respective benchmark during the quarter and annualized over a 1, 3, 5 and 10 year basis. Mr. Campbell provided the following qualitative information on the funds requiring discussion:

PIMCO Total Return: The fund has underperformed in the short term due to an underweight to corporate debt and an overweight to TIPS and emerging markets debt. Recent corporate structural changes have not significantly affected the management of the fund. Long-term performance remains strong relative to peers.

Artisan Mid Cap Value: The fund has underperformed on a 1- and 5-year basis. Management uses a conservative style that tends to underperform during market rallies and excel during market downturns. An overweight to cash and energy has led to underperformance. Long-term performance remains strong relative to peers.

Allianz NFJ Small Cap Value: The fund has underperformed in the short and intermediate term due to an overweight in conservative and dividend-paying stocks. The fund has historically underperformed during market rallies and excelled during market downturns. Risk-adjusted performance remains strong despite the underperformance on an absolute basis. Long-term performance remains strong relative to peers.

SSGA Dow Jones Target Date Funds: The funds have underperformed over most measured time periods due to a very conservative glidepath and a significant underweight to equities. The funds attempt to track the Dow Jones Target Date Index. The Committee will review available alternatives later in the meeting.

As weighted on March 31, 2014, the Plan outperformed passive and active benchmarks across all measured time periods. The Plan-weighted expense ratio is 66 bps which is below the custom category average of 91 bps.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

3. Fund Search: Target Date Funds

Mr. Stewart reviewed an analysis of available alternatives to the SSgA Target Date Funds. Vanguard Target Retirement Funds utilize a more aggressive glidepath which may be more appropriate given the low average retirement age. T. Rowe Price Retirement Funds utilize a more aggressive glide path as well, but also use actively managed funds for exposure to each asset class. The Committee unanimously agreed to hold a special meeting and have BFGS bring a share class analysis on the T. Rowe Price Retirement Funds.

4. Approval of Inclusion of Exchange-Traded Funds (ETFs) into SCAQMD's 457 Plan Options

The Committee unanimously agreed to allow ETFs to be utilized through the self-directed brokerage account in the Plan.

Administrative Agenda

5. Other Business

Mr. Trenerry presented MassMutual's 1st Quarter Retirement Plan Review. Approximately \$52,000 in excess reimbursement account revenue was distributed to participants in accordance with the Plan Expense Reimbursement Account Policy. During the quarter, assets increased by \$2.5 million to just under \$127 million. Net cash flow was \$1.1 million and the average account balance in the Plan increased to \$157,000.

6. Public Comments

Mr. Johnson asked the attending members of the Public for comment but received no reply.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 3:45 pm.

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT
DEFERRED COMPENSATION PLAN COMMITTEE
MEETING MINUTES

July 31, 2014

Members Present: Mr. Bill Johnson – Asst. Deputy Executive Officer/Admin and Human Resources
Mr. Bill Richards – Human Resources Manager
Mr. Michael O’Kelly – Chief Financial Officer
Mr. Kurt Wiese – General Counsel

Committee Consultants: Mr. Darren Stewart – Benefit Funding Services Growth (“BFSG”)
Mr. Robert Trenerry – MassMutual (via conference call)

Call to Order: The interim meeting of the Deferred Compensation Plan Committee was called to order by Mr. Johnson on July 31, 2014 at 2:05 pm in Conference Room CC-3. It was noted a quorum was present.

1. Approval of Prior Meeting Minutes

The Committee reviewed minutes from the March 12, 2014 and June 25, 2014 meetings. The March 12, 2014 minutes were unanimously approved with Mr. Wiese abstaining due to absence. The June 25, 2014 minutes were unanimously approved with Mr. O’Kelly abstaining due to absence.

Investment Agenda

2. Replacement of SSgA Target Date Funds with T. Rowe Price Target Date Funds

BFSG presented an analysis of the T. Rowe Price Target Date Funds relating to the glidepath, asset allocation and fees. The Committee discussed the more aggressive nature of the T. Rowe Price Target Date Funds. Mr. O’Kelly motioned to not make a change from SSgA to T. Rowe Price at this time due to the significant increase in equity exposure to which many participants would be subject. The vote carried with Mr. Johnson and Mr. Wiese voting in the affirmative. Mr. Richards voted against the motion. No changes to the fund lineup will be made.

3. Exchange-Traded Funds (ETFs)

At the June 25, 2014 meeting, the Committee had approved the inclusion of ETFs in the self-directed brokerage account. In accordance with the California Fair Political Practices Commission, ETFs offered cannot specifically invest in a single industry or business. The Committee learned that MassMutual would not be able to accommodate a screening procedure to ensure that ETFs in violation would not be offered. The Committee voted unanimously to rescind their decision to include ETFs as an option.

Administrative Agenda

4. Other Business

Mr. Johnson asked the Committee members for any other business and received no reply.

5. Public Comments

Mr. Johnson asked the attending members of the Public for comment but received no reply.

Adjournment

With no further items to address, Mr. Johnson adjourned the meeting at 2:45 pm.